

Message Text

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13-12

ACTION EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 /052 W

----- 068129

R 090233Z JUL 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 3930

INFO AMEMBASSY COLOMBO

AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 3928

E.O. 11652: N/A

TAGS: ETRD, MY

SUBJECT: VISIT OF PRC RUBBER TRADE MISSION TO MALAYSIA

1. SIX-. MEMBER PRC RUBBER TRADE MISSION, LED BY DEPUTY DIRECTOR-GENERAL OF CHINA NATURAL CHEMICALS IMPORT AND EXPORT CORPORATION CHEN MY, DEPARTED KL JULY 5 FOLLOWING TWO-WEEK VISIT WHICH INCLUDED DISCUSSIONS AT MINISTRY PRIMARY INDUSTRIES, MALAYSIAN RUBBER EXCHANGE AND LICENSING BOARD (MRELB), MALAYSIAN RUBBER DEVELOPMENT CORP (MARDEC), WITH PRIVATE SECTOR, AND FIELD TRIPS TO RUBBER PRODUCTION, PROCESSING AND SHIPPING FACILITIES.

2. PRINCIPAL GOM OBJECTIVE WAS TO OBTAIN PRC AGREEMENT TO INCREASE IMPORTS OF MALAYSIAN RUBBER, PREFERABLY THROUGH DIRECT PURCHASES FROM GOM ENTITIES RATHER THEN THROUGH AGENCY HOUSES REPRESENTING PRC PURCHASING OFFICE HONG KONG OR FROM PRIVATE SECTOR MALAYSIA AND SINGAPORE. PRC IS, OF COURSE, MAJOR CONSUMER MALAYSIAN RUBBER, IMPORTING AVERAGE OF ABOUT 140,000 TONS PER YEAR DURING LAST TWO YEARS ACCORDING MRELB DIRECTOR LEW DIP HON. GOM AWARE OF PRC DIRECT PURCHASE

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AGREEMENT WITH SRI LANKA.

3. PRC MISSION ON JULY 3 SIGNED AGREEMENTS WITH PERNAS-MARDEC (PERNAS IS GOM ENTITY RESPONSIBLE FOR ALL TRADE WITH PRC) AND WITH PRIVATE DEALERS FOR PURCHASE OF M\$30 MILLION OF MALAYSIAN RUBBER DURING JULY AND AUGUST. MRELB DIRECTOR SUBSEQUENTLY INFORMED US THAT QUANTITY IS 15,000 TONS, OF WHICH 5,000 TONS IS SMR 1.

4. ACCORDING PRESS, AGREEMENT ALSO REACHED IN PRINCIPLE FOR PRC TO ESTABLISH OFFICE IN KL FOR DIRECT PURCHASE OF MALAYSIAN RUBBER. MRELB STAFF INFORMED US THAT MATER LEFT UNRESOLVED PENDING CONSULTATIONS BY MISSION WITH PRINCIPALS IN PEKING.

5. ON EVENING JULY 5, LEW DIP HON SAID THAT CHINESE WERE HESITANT TO CNTRACT FOR MORE RUBBER BECAUSE OF CURRENT HIGH PRICES, THAT THEY HAD EMPHASIZED THE IMPORTANCE OF NATURAL RUBBER MAINTAINING ITS COMPETITIVE POSITION VIS-A-VIS SYNTHETIC, THAT THEY HAD NOT YET BUILT UP THEIR SYNTHETIC RUBBER PRODUCTION AND WOULD PREFER NOT TO AT THIS JUNCTURE PROVIDED NATURAL RUBBER REMAINED COMPETITIVE.

6. COMMENT: GOM CALCULATES THAT PRC NATURAL RUBBER CONSUMPTION WILL INCREASE FROM 200,000 TONS IN 1975 TO 500,000 TONS IN 1980 AND CAN BE EXPECTED TO CONTINUE TO PRESS FOR AN INCREASING SHARE OF THIS EXPANDING MARKET. THIS UNDOUBTEDLY WILL BE PURSUED BY PRIMARY INDUSTRIES MINISTER MUSA HITAM WHO SCHEDULED LEAD MALAYSIAN TRADE DELEGATION TO CHINA LATER THIS YEAR. BY DDMONSTRATING ITS ABILITY TO PRODUCE TECHNICALLY SPECIFIED RUBBER ACCORDING TO USER'S NEEDS, GOM, OF COURSE, WISHES MAXIMIZE CHINESE USE OF NATURAL RUBBER VIS-A-VIS SYNTHETICS. UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RUBBER, TRADE VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA03928
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760264-0772
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760775/aaaacnrq.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by woolflhd>; APPROVED <15 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF PRC RUBBER TRADE MISSION TO MALAYSIA
TAGS: ETRD, BTRA, EPAP, MY, (CHEN MY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006